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Service Date: June 6, 1994

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

\* \* \* \* \*

IN THE MATTER of the Application	)	
of GREAT FALLS GAS COMPANY	)	UTILITY DIVISION
for Authority to Modify its	)	DOCKET NO. 94.4.20
Gas Tracking Mechanism.	)	INTERIM ORDER NO. 5789

FINDINGS OF FACT

1. On April 25, 1994, Great Falls Gas Company (Applicant, GFG, Company) filed with the Montana Public Service Commission (Commission) an application to modify its Gas Cost Tracking Mechanism (Gas Tracker) approved by the Commission in Docket No. 90.3.20, Order No. 5539c. GFG does not propose to change rates as a result of this application.

2. GFG proposes to change the tracking period from the currently approved 12-month period ending January 31 to a 12-month period ending April 30. Extending the tracking period from January 30 to April 30 will significantly reduce the current balance in the tracking account. The Commission finds the change in the tracking period appropriate and approves GFG's request to change the end of the tracking period to April 30. As a result, GFG's next tracking period will begin on May 1, 1994, and end on April 30, 1995.

3. In the application GFG states that the balance in the tracking account was \$93,768 at the end of February 1994. GFG has intervened in Montana Power Company (MPC) Docket No. 93.11.54, a gas tracker filing, contesting the treatment of gas costs during the final phase-in period to open access transportation. If it prevails in its position in that case, GFG will credit the tracker balance with approximately

\$114,000. The net effect of the new tracking period and the MPC gas tracking credit would result in a small enough balance in the deferred account to leave rates at their present level. The Commission finds this approach acceptable.

4. On October 28, 1993, GFG filed a letter with the Commission indicating that the interim increase granted to MPC in Docket No. 93.6.24 would be included in GFG's gas tracking mechanism. At that time the Commission staff indicated that this approach would be acceptable in order to minimize the number of rate changes to GFG's customers. On May 10, 1994, GFG filed another letter with the Commission concerning the final increase granted to MPC in Docket No. 93.6.24. To avoid multiple rate changes, GFG indicated that it would include the increase associated with the Commission's Final Order in MPC Docket No. 93.6.24 in its gas tracking mechanism. The Commission finds that GFG's request to reflect the recent MPC Final Order in its gas tracking mechanism is appropriate.

5. In Order No. 5539c, the Commission found that transportation and storage costs should not be included in GFG's gas tracking mechanism. Instead, when a material change in those costs is known and measurable, the Company was free to apply to the Commission for timely reflection of the change in its rates. In Docket No. 92.8.38, GFG included transportation and storage costs in its tracker filing. In that Docket, the Commission agreed that transportation and storage costs would be included in GFG's tracker filings until the three-year phase-in of open access on MPC's system was complete. After that, these expenses would be known with certainty and any changes in these expenses would properly be reflected in

general rate cases. Once again in this Docket, GFG presents the issue of the proper treatment of transportation and storage charges.

6. Lynn Hardin, Assistant Vice President for Gas Supply, maintained fixed costs from MPC should remain in the tracker mechanism in order to avoid an increase in the volatility of GFG's earnings. According to Mr. Hardin, the Commission should allow tracking of upstream fixed gas costs for the following reasons:

(1) Prior to open access, the fixed cost element of MPC's service was included in city gate gas costs and therefore not subjected to weather related risks. Excluding fixed gas costs from the tracker subjects GFG to the risk of over or under recovery depending on weather, which would increase revenue instability.

(2) GFG has no control over MPC's fixed costs.

(3) If fixed gas costs remain in the tracker, savings from reducing those costs will be passed to the customer dollar for dollar through the surcharge.

(4) Tracking would eliminate GFG's weather risk on MPC's fixed gas costs.

(5) If fixed gas costs were not tracked, GFG would have to apply for adjustments in rates more frequently to incorporate changes in MPC's rates.

(6) With fixed gas costs not included in its tracker, GFG would have an income incentive between rate cases to eliminate those costs and possibly compromise supply security.

(7) GFG does not believe that there should be such volatility in return possibilities. Such volatility is not in the public interest.

7. GFG presents the issue of the proper treatment of fixed costs from MPC for the third time. While transportation and storage charges should not be overly

volatile in the future, GFG correctly points out that these costs were included in city gate costs prior to the advent of open access on the MPC system. The Commission does not intend to increase the volatility of earnings for GFG by adopting the gas cost tracking mechanism. Therefore, the Commission will change its position and allow GFG to include transportation and storage costs paid to MPC in its gas trackers. This decision has the effect of reducing any risk associated with fixed costs from MPC. The Commission takes strong exception, however, to Mr. Hardin's claim that failure to reflect these costs in the gas trackers could have implications for supply security. Any such action by GFG would face intense scrutiny by the Commission in terms of prudence.

#### CONCLUSIONS OF LAW

1. Great Falls Gas Company offers regulated natural gas service in the state of Montana and is a public utility under § 69-3-102, Montana Code Annotated (MCA).
2. The Montana Public Service Commission properly exercises jurisdiction over public utility operations in Montana, pursuant to Title 69, Chapter 3, MCA.

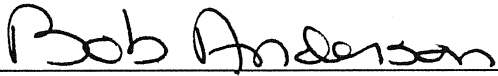
#### ORDER

1. Great Falls Gas did not request any change in rates in this Docket. Accordingly, this Order does not authorize any change in rates.
2. Great Falls Gas is authorized to use a new tracking period beginning May 1, 1994, and ending April 30, 1995.

3. Great Falls Gas is authorized to include transportation and storage costs from MPC in future gas trackers. This decision preserves the treatment of these costs which existed prior to the implementation of open access on the MPC system.

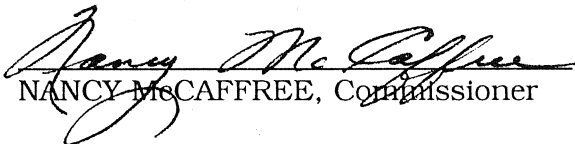
DONE IN OPEN SESSION at Helena, Montana, this 31st day of May, 1994, by a 4 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION


  
BOB ANDERSON, Chairman

  
BOB ROWE, Vice Chairman

  
DAVE FISHER, Commissioner

  
NANCY McCAFFREE, Commissioner

ATTEST:

  
Kathlene M. Anderson  
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.